



## Treasury Inspector General for Tax Administration

### **CENTRALIZED SITES EFFECTIVELY EVALUATED OFFERS IN COMPROMISE FROM SELF-EMPLOYED TAXPAYERS AND ASSISTED IN REDUCING OVERALL STAFFING**

Issued on March 26, 2007

## Highlights

Highlights of Report Number: 2007-30-058 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

### **IMPACT ON TAXPAYERS**

The Centralized Offer in Compromise sites in Brookhaven, New York, and Memphis, Tennessee, evaluate offers for "simpler" cases (e.g., wage earners), while more complex offers (e.g., business and self-employed taxpayers) are forwarded to field offer groups where they are evaluated by experienced revenue officers in the Collection Field function. Recently, the Internal Revenue Service (IRS) successfully integrated offers submitted by certain self-employed taxpayers into the mix of cases evaluated by the centralized sites. This change provides taxpayers with quicker responses to their proposed offers and assisted the IRS in reducing the number of revenue officers dedicated to the offer program.

### **WHY TIGTA DID THE AUDIT**

This audit was initiated at the request of the Commissioner, Small Business/Self-Employed Division, for us to evaluate the ability of the centralized sites to accurately and timely work offers from self-employed taxpayers. The overall objective of this review was to determine whether the centralized sites properly resolve offers from taxpayers who file a U.S. Individual Income Tax Return (Form 1040) Profit or Loss From Business (Schedule C) and evaluate the related impact on the field offer groups.

The centralized sites were implemented in August 2001. At that time, the IRS intended for the sites to work offers submitted by self-employed taxpayers, but, because of a large inventory, it determined these types of offers should be worked by the field offer groups. However, since Fiscal Year 2003, offer receipts have been declining, and the IRS has identified simpler field offer cases that could be worked at the centralized sites.

### **WHAT TIGTA FOUND**

The IRS provided effective oversight to ensure the successful implementation of the self-employed Schedule C units at the centralized sites. Our evaluation of samples of closed cases determined the centralized sites accurately and timely processed these offer types.

This process change and other changes over the past several years have resulted in taxpayers receiving quicker responses to their proposed offers. The number of cases in the field offer groups taking more than 12 months to close decreased from approximately 36 percent in Fiscal Year 2002 to about 14 percent in Fiscal Year 2006. In addition, the centralized offer concept has assisted in reducing the number of employees dedicated to the offer program. A 54 percent decrease in offers received between Fiscal Years 2003 and 2006 and improved efficiencies allowed the IRS to reduce the number of revenue officers from 1,078 in April 2001 to 143 in October 2006 and the number of technical employees in the centralized sites from 616 in August 2002 to 360 in January 2007. The 935 revenue officers formerly dedicated to the offer program retired or returned to the Collection Field function. In addition, revenue officers in the field also retired or resigned during this period, resulting in an increase of 275 revenue officers assigned to the field. This growth was significant because the Collection Field function increased collections by 34 percent, from approximately \$2.7 billion in Fiscal Year 2001 to \$3.6 billion in Fiscal Year 2006. While other factors certainly influenced the increase in collections, such an increase would not have occurred if the staff resources had been retained in the offer program.

### **WHAT TIGTA RECOMMENDED**

TIGTA made no recommendations in this report. However, key IRS management officials reviewed it prior to issuance and agreed with the facts and conclusions presented.

### **READ THE FULL REPORT**

To view the report, including the scope and methodology, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200730058fr.pdf>.

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